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歡喜傳媒集團有限公司*
HUANXI MEDIA GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1003)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of Huanxi Media Group Limited (the “Company”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 together with the comparative amounts for the corresponding period in 2021. The unaudited condensed consolidated interim financial information of the Group have been reviewed by the Company’s audit committee (the “Committee”).

* *For identification purposes only*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
Revenue and film investment income, net	4	14,573	151,726
Cost of revenue	6	<u>(50,245)</u>	<u>(166,453)</u>
Gross loss		(35,672)	(14,727)
Other income		491	1,831
Other gains/(losses), net		433	(6,946)
Selling and distribution costs	6	(4,022)	(19,157)
Administrative expenses	6	<u>(56,612)</u>	<u>(56,386)</u>
Operating loss		(95,382)	(95,385)
Finance income		2,696	3,974
Finance costs		<u>(893)</u>	<u>(5,795)</u>
Finance income/(costs), net		1,803	(1,821)
Loss before tax		(93,579)	(97,206)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the period		<u>(93,579)</u>	<u>(97,206)</u>
Loss for the period attributable to owners of the Company		<u>(93,579)</u>	<u>(97,206)</u>

	Six months ended 30 June	
	2022	2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of functional currency to presentation currency	(14,913)	1,407
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(42,161)</u>	<u>9,973</u>
	<u>(57,074)</u>	<u>11,380</u>
Total comprehensive loss for the period	<u>(150,653)</u>	<u>(85,826)</u>
Total comprehensive loss for the period attributable to owners of the Company	<u>(150,653)</u>	<u>(85,826)</u>
Loss per share for loss for the period attributable to the owners of the Company		
– Basic and diluted (HK dollar)	<i>9</i> <u>(0.03)</u>	<u>(0.03)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,019	1,341
Right-of-use assets		36,496	22,069
Intangible assets		–	2,416
Deposits and prepayments	12	111,165	101,414
Prepayments for film and TV programmes rights	10	427,361	488,756
Film and TV programmes rights	11	274,588	307,296
		850,629	923,292
Current assets			
Prepayment for film and TV programmes rights	10	377,251	394,414
Film and TV programmes rights	11	684,344	333,593
Trade and other receivables, deposits and prepayments	12	253,865	480,234
Contract assets		12,273	11,385
Financial assets at fair value through profit or loss	13	42	3,409
Cash and cash equivalents		46,728	115,369
		1,374,503	1,338,404
Total assets		2,225,132	2,261,696

		30 June	31 December
		2022	2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity			
Share capital		36,565	36,565
Reserves		<u>1,468,051</u>	<u>1,618,704</u>
Total equity		<u>1,504,616</u>	<u>1,655,269</u>
Non-current liabilities			
Lease liabilities		24,112	13,454
Deferred tax liabilities		<u>14,038</u>	<u>14,677</u>
		<u>38,150</u>	<u>28,131</u>
Current liabilities			
Trade and other payables	<i>14</i>	164,468	188,809
Film investment funds from investors		422,937	197,332
Film and TV programmes rights	<i>11</i>	–	1,483
Contract liabilities		31,673	31,469
Borrowings	<i>15</i>	–	100,281
Lease liabilities		12,693	9,055
Amount due to a related party		18,546	15,137
Current tax liabilities		<u>32,049</u>	<u>34,730</u>
		<u>682,366</u>	<u>578,296</u>
Total liabilities		<u>720,516</u>	<u>606,427</u>
Total equity and liabilities		<u><u>2,225,132</u></u>	<u><u>2,261,696</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial report. Accordingly, the unaudited condensed consolidated interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2021 which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and any public announcements made by the Company during the six months ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards.

The unaudited condensed consolidated interim financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

2. ACCOUNTING POLICIES

The Group has adopted new or revised standards, amendments to standards and interpretations of HKFRS which are effective for accounting periods commencing on or after 1 January 2022. The adoption of such new or revised standards, amendments to standards and interpretations does not have material impact on the unaudited condensed consolidated interim financial information and does not result in substantial changes to the Group’s accounting policies and amounts reported for the current period and prior years. The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period. Management does not anticipate any significant impact on the Group’s consolidated financial position and consolidated results of operations upon adopting the other new or revised standards, amendments or interpretations.

3. JUDGEMENTS AND ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2021.

4. REVENUE AND FILM INVESTMENT INCOME, NET

An analysis of the Group's revenue and film investment income, net for the period, net of sales related tax, is as follows:

	Six months ended 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue		
– Sub-licensing of film and TV programmes rights	2,557	62,990
– Share of box office income	–	1,678
– Other media related revenue	8,372	71,856
	<u>10,929</u>	<u>136,524</u>
Film investment income, net	<u>3,644</u>	<u>15,202</u>
	<u>14,573</u>	<u>151,726</u>
Timing of revenue recognition		
– At a point in time	2,557	64,668
– Over time	8,372	71,856
	<u>10,929</u>	<u>136,524</u>

5. SEGMENT INFORMATION

The chief operating decision maker (“CODM”) has been identified as the executive Directors who review the Group’s internal reporting in order to assess performance and allocate resources. The Group’s operations are currently organised into one reportable segment which is investment in film and TV programmes rights. The CODM reviews the Group’s consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

All of the Group’s operations are located in the People’s Republic of China (the “PRC”) and Hong Kong. The Group’s revenue and film investment income, net is substantially generated from customers in the PRC and the Group’s non-current assets are substantially located in the PRC.

6. EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	HK\$’000	HK\$’000
Employee benefit expenses (excluding Directors’ remuneration and share-based compensation)	27,811	25,248
Directors’ remuneration	7,284	7,124
Share-based compensation to employees	–	154
Depreciation		
– Property, plant and equipment	389	890
– Right-of-use assets	6,720	7,624
Short-term lease expenses	365	57
Legal and professional expenses	2,995	3,326
Travelling and entertainment expenses	2,318	2,565
Advertising and marketing expenses	4,022	19,157
Amortisation of intangible assets	2,375	2,395
Amortisation of film and TV programmes rights	47,870	121,611
Platform promotion expenses	–	42,470
Others	8,730	9,375
	<u>110,879</u>	<u>241,996</u>
Total cost of revenue, selling and distribution costs and administrative expenses	<u>110,879</u>	<u>241,996</u>

7. INCOME TAX EXPENSE

Under the Law of the PRC on Corporate Income Tax (the “CIT Law”) and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the CIT law, 10% withholding tax is levied on the PRC sourced income on foreign entities without establishments or places of business in the PRC.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

No provision for the PRC’s corporate income tax and Hong Kong profits tax has been made in the unaudited condensed consolidated interim financial information as the relevant Group entities have incurred tax losses (for the six months ended 30 June 2021: Same).

No overseas profits tax has been calculated for the Group entities that are incorporated in the British Virgin Islands or Bermuda as they are exempted from tax (for the six months ended 30 June 2021: Same).

8. DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Same).

9. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the six months ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022	2021
	HK\$’000	HK\$’000
Loss attributable to owners of the Company	(93,579)	(97,206)
Weighted average number of ordinary shares for basic and diluted loss per share (in thousands)	<u>3,656,472</u>	<u>3,501,956</u>
Basic loss per share (in HK\$)	<u>(0.03)</u>	<u>(0.03)</u>

(b) Diluted

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2022 (for the six months ended 30 June 2021: Same).

10. PREPAYMENTS FOR FILM AND TV PROGRAMMES RIGHTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Non-current		
Prepayments for film and TV programmes rights (<i>Note i</i>)	427,361	445,893
Prepayments for film directors' fees	<u>–</u>	<u>42,863</u>
	427,361	488,756
Current		
Prepayments for film and TV programmes rights (<i>Note ii</i>)	<u>377,251</u>	<u>394,414</u>
Total	<u>804,612</u>	<u>883,170</u>

Notes:

- (i) The prepayments for film and TV programmes rights represented the prepayments made by the Group to respective parties in relation to the film and TV programmes rights which is yet to be concluded. The prepayments will form part of the contribution by the Group for the investments in the proposed film and TV programmes rights. The related terms will be further agreed between the respective parties upon the signing of the agreements.
- (ii) The prepayment for film and TV programmes rights represented prepayment made by the Group in relation to the distribution right, broadcasting right, new media broadcasting right and related income rights of a film.

11. FILM AND TV PROGRAMMES RIGHTS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Film and TV programmes rights completed	41,263	43,145
Film and TV programmes rights under production	575,365	259,415
Film rights investments (<i>Note i</i>)		
– Financial assets at fair value through profit or loss	271,469	247,770
– Financial liabilities at fair value through profit or loss	–	(1,483)
Licensed film and TV programmes rights (<i>Note ii</i>)	<u>70,835</u>	<u>90,559</u>
	<u>958,932</u>	<u>639,406</u>
Represented by:		
Non-current assets	274,588	307,296
Current assets	684,344	333,593
Current liabilities	<u>–</u>	<u>(1,483)</u>
	<u>958,932</u>	<u>639,406</u>

Notes:

- (i) The balance represented the Group's investments in film productions which entitled the Group to predetermined percentage of income to be generated from the films based on the Group's investment portion as specified in respective film rights investments agreements.
- (ii) The balance represented the acquired license rights from independent third parties for broadcasting licensed films or TV programmes series on the Group's online video platform and sub-licensing the license rights to other independent third parties, if applicable.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2022 <i>HK\$'000</i>	31 December 2021 <i>HK\$'000</i>
Trade receivables		
– Sub-licensing of film and TV programmes rights	17,202	18,453
– Share of box office income	1,131	1,183
– Film rights investments	99,709	122,472
– Others	166	970
	<u>118,208</u>	143,078
Loss allowance	<u>(6,685)</u>	<u>(6,990)</u>
	111,523	136,088
Deposits	5,261	6,426
Prepayments (<i>Note i</i>)	147,498	139,547
Other receivables (<i>Notes ii and iii</i>)	104,669	303,541
Loss allowances	<u>(3,921)</u>	<u>(3,954)</u>
	<u>253,507</u>	445,560
	<u><u>365,030</u></u>	<u><u>581,648</u></u>
Represented by:		
Trade receivables	111,523	136,088
Deposits	795	2,820
Prepayments	40,682	41,664
Other receivables	104,669	303,541
Loss allowances	<u>(3,804)</u>	<u>(3,879)</u>
Current portion	<u><u>253,865</u></u>	<u><u>480,234</u></u>
Deposits	4,466	3,606
Prepayments	106,816	97,883
Loss allowances	<u>(117)</u>	<u>(75)</u>
Non-current portion	<u><u>111,165</u></u>	<u><u>101,414</u></u>

Notes:

- (i) The prepayments mainly represented the prepayments made by the Group in relation to a) pre-production development of identifiable film and TV programme projects; b) acquisition of licensed film rights from independent third parties for broadcasting on the Group's online video platform; and c) co-membership arrangement with other online platforms operated by different business partners.
- (ii) As at 30 June 2022, other receivables included short-term loan receivables net of loss allowances of approximately HK\$77,206,000 (31 December 2021: HK\$202,465,000). The loan receivables from independent third parties of approximately HK\$7,594,000 (31 December 2021: HK\$67,580,000) carried interest at 10% per annum, HK\$19,699,000 (31 December 2021: HK\$29,891,000) carried interest at 6% per annum and interest-free loan receivables of approximately HK\$49,913,000 (31 December 2021: HK\$104,994,000).
- (iii) As at 30 June 2022, the Group did not pledge any other receivables (31 December 2021: other receivables included pledged deposit of HK\$48,520,000 which was used to secure a borrowing of HK\$48,918,000) (Note 15).

The ageing analysis of the trade receivables, net of loss allowance, presented based on invoice date or date of settlement statement are as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
0 – 30 days	175	105,317
31 – 90 days	–	834
181 – 365 days	83,644	2,080
Over 365 days	<u>27,704</u>	<u>27,857</u>
	<u>111,523</u>	<u>136,088</u>

The credit period is generally within 30 days from invoice date or the date when the settlement statement is duly confirmed as stipulated in the respective agreements.

Due to the short-term nature of the current receivables, their carrying amounts are considered to be the same as their fair values.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group classifies equity investments that are held for trading as financial assets at fair value through profit or loss (“FVTPL”).

Financial assets mandatorily measured at FVTPL include the following:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Hong Kong listed equity securities	<u>42</u>	<u>3,409</u>

During the reporting period, net fair value loss on financial assets at FVTPL of approximately HK\$1,193,000 (for the six months ended 30 June 2021: Nil) was recognised in other gains/(losses), net.

14. TRADE AND OTHER PAYABLES

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Trade payables	157,393	165,318
Other payables	4,476	12,819
Accruals	<u>2,599</u>	<u>10,672</u>
	<u>164,468</u>	<u>188,809</u>

The carrying amounts of trade and other payables approximated their fair values.

The ageing analysis of the trade payables based on invoice date or date of settlement statement are as follows:

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
0 – 30 days	117	243
31 – 90 days	–	1,132
181 – 365 days	78,034	102,482
Over 365 days	<u>79,242</u>	<u>61,461</u>
	<u>157,393</u>	<u>165,318</u>

15. BORROWINGS

	30 June 2022 HK\$'000	31 December 2021 HK\$'000
Unsecured borrowings	–	51,363
Secured borrowing (<i>Note</i>)	–	48,918
	<u>–</u>	<u>100,281</u>

Note: As at 31 December 2021, the borrowing was secured by pledged deposit of HK\$48,520,000 (Note 12).

As at 31 December 2021, the borrowings were interest-free and repayable within one year.

The fair values of the borrowings are not materially different to their carrying amounts, due to short-term in nature.

16. EVENT AFTER THE REPORTING PERIOD

There was no material event after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

The Group faced a challenging industry environment during the six months ended 30 June 2022 (the “Period”). The film industry was hard hit by a new round of outbreak of the COVID-19 pandemic (the “Pandemic”) in Mainland China, resulting in temporary closure of cinemas across many regions. Since the new round of the Pandemic hit, the Group has kept a close watch on the latest development of the Pandemic as well as the prevention and control measures being taken in China, thus, enabling its prompt responses following the constant review and assessment on its business conditions in order to formulate and adjust responding measures. As a result, the Group postponed debut of its films in cinemas and at the same time has actively expanded its film and TV content reserves to consolidate its core competitive advantages, paving the way for the Group to get ready for a rebound in the film and television industry.

During the Period, with a proactive approach for preparation and production, the Group has completed the shooting of several blockbusters, including *Papa* (學爸), a film written and directed by Su Liang and starring Huang Bo that is tentatively scheduled for release in the second half of this year; as well as a number of films expected to be arranged to debut on cinema screens in the second half of 2022 or 2023, including *Something About Us* (紅毯先生) (formerly known as *Red Carpet* (全民明星)) directed by Ning Hao and starring Andy Lau, *For My Country* (滿江紅) directed by Zhang Yimou and starring Jackson Yee, Shen Teng, Yue Yunpeng, Zhang Yi and Lei Jiayin, *Li Na* (獨自•上場) directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and *Hao Lei, Unspoken* (無所畏懼) directed by Chen Daming and starring Zhang Hanyu, *Call Me Crazy* (刺猬) directed by Gu Changwei and starring Ge You and Karry Wang, *The Mountain* (上山) produced by Wang Xiaoshuai, *Evacuate from the 21st Century* (從21世紀安全撤離) directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi, and *Strangers When We Meet* (朝雲暮雨) directed and written by Zhang Guoli and starring Zhou Dongyu.

Regarding its online video platform, the Group has continued to source various premium quality films and TV productions from around the world for its platform to release, such as *The Wolf's Call* (狼嚎), a science fiction war film with a nuclear submarine as setting, which hailed for Best Sound at the 45th Cesar Awards (French Academy), *The Life Ahead* (來日方長) starring Sophia Loren, who won her 7th Best Actress Award at Italy's David di Donatello Awards, and the opening film of the 70th Berlin Film Festival *My Salinger Year* (職場心計文學夢), which was an adaptation of J.D. Salinger's autobiography, all these were presented on "huanxi.com". In addition, those currently being shown with a hit on "huanxi.com" are the BAFTA Award for Best Mini-Series *Time* (煉獄), which is about prison life, with the struggle of the hero touching hearts, and the second season of the British TV series *All Creatures Great and Small* (萬物生靈), which brings humans, the land and animals together.

FINANCIAL REVIEW

Review of Results

During the reporting period, the Group recorded revenue and film investment income, net of HK\$14,573,000 (30 June 2021: HK\$151,726,000) and a net loss of HK\$93,579,000 (30 June 2021: HK\$97,206,000). The decrease of revenue was mainly due to the fact that the Group delayed some blockbusters invested by the Group to make debut on cinema screens due to the operational rate of cinema in Mainland China adversely affected by the Pandemic. Despite this, the net loss decreased mainly due to the decrease of amortised expenses of the content costs and promotion expenses of "huanxi.com" online video platform; and the decrease of selling and distribution costs as a result of decrease in movie distribution activities.

The Group expects the situation of the Pandemic will be improved, the Group is enriching its content reserves and is expected to arrange for a number of completed shooting blockbusters invested by the Group to gradually debut on cinema screens in the second half of 2022 or 2023, including *Papa* (學爸), written and directed by Su Liang and starring Huang Bo, *Something About Us* (紅毯先生) (formerly known as *Red Carpet* (全民明星)) directed by Ning Hao and starring Andy Lau, *For My Country* (滿江紅) directed by Zhang Yimou and starring Jackson Yee, Shen Teng, Yue Yunpeng, Zhang Yi and Lei Jiayin, *Li Na* (獨自•上場) directed by Chan Ho Sun Peter and starring Hu Ge, Vincent Cassel and Hao Lei, *Unspoken* (無所畏懼) directed by Chen Daming and starring Zhang Hanyu, *Call Me Crazy* (刺猬) directed by Gu Changwei and starring Ge You and Karry Wang, *The Mountain* (上山) produced by Wang Xiaoshuai, *Evacuate from the 21st Century* (從21世紀安全撤離) directed by Li Yang and starring Zhang Ruoyun and Zhong Chuxi, and *Strangers When We Meet* (朝雲暮雨) directed and written by Zhang Guoli and starring Zhou Dongyu, which will contribute revenue to the Group, and the results of the Group will be improved.

For the six months ended 30 June 2022, loss per share of the Group amounted to HK\$0.03 (30 June 2021: HK\$0.03) and net asset value per share attributable to the owners of the Company was HK\$0.41 (31 December 2021: HK\$0.45).

Liquidity and Financial Resources

The Group's capital expenditure, daily operations and investments are mainly funded by cash generated from its operations and borrowings. As at 30 June 2022, the Group had net current assets of HK\$692,137,000 (31 December 2021: HK\$760,108,000), with cash and cash equivalents of HK\$46,728,000 (31 December 2021: HK\$115,369,000). As at 30 June 2022, the Group's current ratio (defined as total current assets divided by total current liabilities) was approximately 2.01 (31 December 2021: approximately 2.31). As at 30 June 2022, the total equity of the Company amounted to HK\$1,504,616,000 (31 December 2021: HK\$1,655,269,000) with no borrowings (31 December 2021: HK\$100,281,000). The Group's gearing ratio, expressed as the percentage of total borrowings over total capital, was nil (31 December 2021: 0.06) as at 30 June 2022. Total capital is calculated as total equity plus total borrowings.

Capital Structure

As at 30 June 2022, the Company had shareholders' capital of approximately HK\$36,565,000 (31 December 2021: Same) which is constituted of 3,656,472,362 ordinary shares (31 December 2021: Same) of HK\$0.01 each in issue (the "Share" or "Shares").

Use of Proceeds

On 27 April 2021, the Company entered into the placing agreement with a placing agent. Upon completion of the placing agreement on 5 May 2021, an aggregate of 218,130,000 Shares of HK\$0.01 each in the capital of the Company were placed to not fewer than six placees, at the placing price of HK\$2.15 per placing Share. The gross proceeds and net proceeds raised from the placing were approximately HK\$468,980,000 and HK\$467,279,000 respectively.

As at 1 January 2022, HK\$115,369,000 had not been used. As at 30 June 2022, the said unused amount had been fully utilised as intended for (i) production of film and internet drama series and online video platform business; and (ii) general working capital.

Please refer to the Company's announcements dated 27 April 2021, 28 April 2021 and 5 May 2021 for details of the placing agreement.

Charges on Assets

As at 30 June 2022, the Group did not have any charges on assets (31 December 2021: the Group pledged other receivables of approximately HK\$48,520,000 for obtaining a secured borrowing of approximately HK\$48,918,000).

Foreign Exchange Exposure

The Group's cash flow from operations, cash on hand and assets are denominated mainly in Hong Kong dollars and Renminbi. Although most of the production costs and management fees are denominated in Renminbi, foreign currencies are needed for many investment opportunities and cooperation plans with Mainland China and overseas film companies. The Group will continue to monitor its capital needs closely and take appropriate measures to minimise any adverse impact of exchange rate fluctuation on its overall financial status and lower the Group's financial risks.

Risk Management

During the reporting period, the Group regularly reviewed the risk and credit control systems of its profit centers to improve those systems overall and mitigate credit risk. There have been no significant changes in the Group's risk management policy since the year-end date last year.

Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities (31 December 2021: Same).

Employees and Remuneration Policies

As at 30 June 2022, the Group had 100 full-time employees (31 December 2021: 101) and 5 part-time employees (31 December 2021: 5). The Group has in place well-designed remuneration management and incentive mechanisms, with employees remunerated based on their positions and work performance, along with industry trends.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the Chinese government. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. Forfeited contributions cannot be used by the Group to reduce the existing level of contribution to the defined contribution schemes.

Event After the Reporting Period

There was no material event after the reporting period.

Prospects

Since after June 2022, the Pandemic situation in China has been effectively under control and daily life has returned to normal in a gradual and orderly manner. Economic activities such as production and consumption have shown signs of recovery. As anti-pandemic measures gradually relax in some regions and with the support of policies to promote consumption, the operating rate of cinemas has increased progressively. With the release of pent-up demand for film entertainment due to the Pandemic, the film market is recovering gradually and steadily.

To welcome the return of cinema audience, the Group has thoughtfully compiled the release schedule of its films. The film to hit the screen in the second half of this year is *Papa* (學爸), invested and produced by the Group, and written and directed by Su Liang. This comedy features father and son relationship played by Huang Bo and Shan Yu Hao, telling the funny school adventure through the fierce fight for a primary school place admission. Such hilarious experience with lot of laughter and warmth could become a mutual growth process for both parents and children. In addition, blockbusters such as *Something About Us* (紅毯先生), *For My Country* (滿江紅) and *Li Na* (獨自 • 上場) are scheduled to debut on cinema screens next year.

The “14th Five-Year Plan for the Development of Chinese Films”, which was issued by the China Film Administration at the end of 2021, unveils its vision to guide the way for building China into a major cinematic player in the global film industry, focusing on the need to enhance the creativity and output of Chinese films and to promote high-quality development of films. Furthermore, 27 government departments including the Ministry of Commerce announced the “Opinions on Promoting the High-quality Development of Foreign Cultural Trade” in July 2022, which highlights the needs to cultivate new competitive advantages in cultural trade, support creations including films and TV dramas, etc., and implement the “Thousand Sails to Sea” action plan for cultural trade which is believed to facilitate the development of film industry.

Persisting with its “Content is King” strategy, the Group is committed to producing more diverse film and television content and enriching content reserves via collaborating with outstanding directors and professional production teams. With the support of China’s favorable film and television cultural policies and the China film market warm-up, quality films are set to draw large audiences and win acclaims. For its online video platform “huanxi.com”, on top of the quality films and internet drama series produced by the Group, the Group will continue to source premium film and TV productions from around the world for optimising its content portfolio in order to foster its further development.

In the future, the Group will continue to deliver original premium film and TV productions, improve its strategic layout, step up promoting “huanxi.com” through enhancing close cooperation with Internet and entertainment entities, aiming to consolidate and enhance its core competitiveness as well as strengthen its well-founded presence in the film and television industry on a continued basis.

CORPORATE GOVERNANCE

Corporate Governance Practices

Throughout the six months ended 30 June 2022, the Company has applied the principles and complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Listing Rules on terms no less exactly than the required standard set out in the Model Code. Having made specific enquiry, all Directors confirmed that they fully complied with the Model Code throughout the reporting period.

Board Composition

The Board currently comprises two executive Directors, three non-executive Directors and three independent non-executive Directors. All the Directors are high calibre executives with diversified industry expertise and bring a wide range of skills and experience to the Group.

Change in Information of Directors

There was no change in Directors’ information since the date of the annual report 2021, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

Interim Dividend

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Same).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

Review of Interim Results

The Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended 30 June 2022. The Committee is satisfied with the review and the Board is also satisfied with the Committee's report.

By Order of the Board
Huanxi Media Group Limited
Xiang Shaokun, Steven
Executive Director and Chief Executive Officer

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises Mr. Dong Ping (Chairman) and Mr. Xiang Shaokun Steven (Chief Executive Officer) as executive Directors, Mr. Ning Hao, Mr. Xu Zheng and Ms. Li Ni as non-executive Directors, and Mr. Wong Tak Chuen, Mr. Li Xiaolong and Mr. Wang Hong as independent non-executive Directors.